



# Iowa Department of Human Services

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## INFORMATIONAL LETTER NO.1234

**DATE:** April 18, 2013

**TO:** Iowa Hospitals Participating in the Hospital HealthCare Access Assessment Program

**ISSUED BY:** Iowa Department of Human Services, Iowa Medicaid Enterprise

**SUBJECT:** Outpatient Hospital Rebase Fiscal Impact Analysis

**EFFECTIVE:** January 1, 2012

As part of the triennial outpatient hospital rebase calculation, the IME Provider Cost Audit and Rate Setting (PCA) Unit sends out an estimated fiscal impact analysis to hospitals participating in the Hospital HealthCare Access Assessment Program. The purpose of the fiscal impact analysis is to demonstrate that the rebase is budget-neutral to previous Medicaid expenditures.

### Hospital Provider Tax

Since the last outpatient rebase calculation, the Centers for Medicare and Medicaid Services (CMS) approved Iowa to implement a hospital health care access assessment program (i.e. hospital provider tax) effective for dates of service on or after July 1, 2010. The hospital provider tax helped fund hospital provider base rate increases for participating hospitals. The provider tax was expected to increase outpatient hospital expenditures by approximately \$19.1 million. There have been some updates to the hospital base rates to correct issues with the payment of the hospital provider tax increase amount. Hospitals have received the following base rate changes since the outpatient hospital rebase:

| Effective Date   | Percent Change | Reason for Change                              |
|------------------|----------------|--|
| December 1, 2009 | -5.00%         | Reduction Per Gubernatorial Executive Order 19 |
| July 1, 2010     | +13.74%        | Hospital Provider Tax Approved by CMS          |
| August 1, 2011   | +3.38%         | Hospital Provider Tax Approved by CMS          |
| January 1, 2012  | +11.14%        | Hospital Provider Tax Approved by CMS          |

Upon completion of the outpatient hospital rebase the base rates were updated effective January 1, 2012, with the new cost information, superseding the prior January 1, 2012, rate that was approved by CMS. Therefore, each hospital's outpatient hospital base rate may be more or less than the previous base rate that was in effect since the prior increase was based on the initial base rates from the last rebase calculation.

## **Fiscal Impact Calculation**

The fiscal impact calculation used claims data for each hospital's fiscal year ending 2010 and included the \$19.1 million in the budget neutrality calculation. Thus, the claims data for hospitals with a fiscal year end before July 1, 2010, would not reflect most of the changes noted in the table above to Medicaid reimbursement.

Consequently, the net change reflected on the fiscal impact summary for each hospital may be different than what the net change is on the remittance advice for the mass adjustment process. The main reason for this difference is the claims being adjusted in the mass adjustment have already included an increased payment for the hospital provider tax which was not reflected in the fiscal impact summary.

If you have any questions please contact the IME Provider Cost Audit and Rate Setting Unit at 1-866 863-8610 or 515-256-4610 (Local), or by email at: [costaudit@dhs.state.ia.us](mailto:costaudit@dhs.state.ia.us).